

## Message Text

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ORIGIN EB-07

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R 142354Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652:N/A

TAGS: EAIR, AR

SUBJECT: CIVAIR: USG-GOA BILATERAL CONSULTATIONS  
(JANUARY 6-9, 1976)

REF: STATE 5858

1. TALKS WHICH ENDED JANUARY 9 COVERED WIDE AREA OF OPERATIONAL CONCERNS OF INTEREST TO BOTH PARTIES. DISCUSSIONS WERE BUSINESS-LIKE AND FRIENDLY. PRACTICAL FREQUENCY AND CAPACITY ISSUES WERE EMPHASIZED. DISCUSSIONS CONCERNING THE DIFFERING THEORETICAL APPROACHES TO CIVAIR QUESTIONS IN GENERAL WERE LARGELY AVOIDED. GENERAL GONZALES SPOKE ON BEHALF OF ARGENTINE DELEGATION WITH OCCASIONAL ASSISTS FROM DONATO, WITTE AND CHALEM.

2. ARGENTINES PROPOSED THAT AEROLINEAS BE AUTHORIZED 12 WEEKLY FREQUENCIES UTILIZING B-707'S AND ONE WITH A B-747. ALSO, THEY SUGGESTED THAT EACH FLAG BE ALLOWED TWO ALL-CARGO SCHEDULED FREQUENCIES. ARGENTINES ALSO SOUGHT TO

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ADD FOLLOWING ROUTES TO THEIR ROUTE SCHEDULE: BUENOS AIRES-

SAO PAULO-RIO DE JANEIRO-MIAMI/NEW YORK; BUENOS AIRES-CARACAS-LOS ANGELES; BUENOS AIRES-CARACAS-NEW YORK; BEYOND RIGHTS FROM NEW YORK TO MONTREAL.

3. THE INITIAL UNITED STATES PROPOSAL INCLUDED THE FOLLOWING POINTS:

(A) FIVE YEAR UNDERSTANDING TO GOVERN BILATERAL CIVIL AIR RELATIONS; (B) TEN WEEKLY FREQUENCIES FOR PAN AM AND TEN FOR BRANIFF WITH OPTION TO SUBSTITUTE WIDE-BODY AIRCRAFT FOR NARROW-BODY EQUIPMENT AT AN APPROPRIATE SUBSTITUTION RATIO; (C) A BILATERALLY AGREED UPON REGIME FOR FUTURE CAPACITY AND FREQUENCY INCREASES; (D) THE FOLLOWING ROUTES FOR THE UNITED STATES WERE REQUESTED: (1)(PAN AM) FROM THE UNITED STATES VIA POINTS IN MEXICO, CENTRAL AMERICA, THE CARIBBEAN, PANAMA, VENEZUELA, BRAZIL, AND URUGUAY (URUGUAY TO BE SERVED EITHER AS AN INTERMEDIATE POINT OR AS BEYOND POINT), TO BUENOS AIRES. (2) (BRANIFF) FROM THE UNITED STATES VIA POINTS IN MEXICO, CUBA, PANAMA, COLOMBIA, ECUADOR, PERU, CHILE, BOLIVIA, AND PARAGUAY TO BUENOS AIRES. (E) IN INTERESTS OF PROVIDING OPERATIONAL FLEXIBILITY, EACH AIRLINE WOULD BE PERMITTED TO OMIT POINTS ON ANY OR ALL FLIGHTS, PROVIDED AT LEAST ONE POINT IN THE HOMELAND OF THE AIRLINE IS SERVED ON EACH FLIGHT, COMBINE POINTS ON AN AUTHORIZED ROUTE IN ANY ORDER, AND OPERATE FEWER FLIGHTS IN ONE DIRECTION THEN IN OTHER; TO CHANGE GAUGE AT ANY POINT LISTED IN THE AIRLINE'S ROUTE SCHEDULE, AND TO OPERATE EXTRA SECTIONS TO SCHEDULED FLIGHTS; (F) EACH AIRLINE WOULD BE PERMITTED TO ADVERTISE, SELL AND PARTICIPATE IN THE MOVEMENT OF TRAFFIC TO POINTS SPECIFIED AND THOSE NOT SPECIFIED IN THE AUTHORIZED ROUTES, PROVIDED THAT SUCH ADVERTISING, SALE AND TRANSPORTATION CLEARLY DISCLOSES THE MANNER IN WHICH SUCH TRANSPORTATION WILL BE PROVIDED, SUCH AS TRANSFERS OR INTERLINE CONNECTIONS; (G) EACH AIRLINE WOULD BE PERMITTED TO PROVIDE ITS OWN SERVICES FOR GROUND HANDLING OPERATIONS IF THE AIRLINE SO CHOOSES; (H) EACH AIRLINE WOULD BE PERMITTED TO CONVERT AND REMIT REVENUES FROM ITS OPERATIONS PROMPTLY AND WITHOUT FOREIGN EXCHANGE LOSS. PROCEDURES TO THIS EFFECT LIMITED OFFICIAL USE

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WOULD BE INCLUDED IN THE UNDERSTANDING.

4. AFTER CONSIDERABLE DISCUSSIONS, US RESPONSE TO ARGENTINE REQUEST WAS AS FOLLOWS: WE AGREED TO THE ARGENTINE FREQUENCIES AND EXPRESSED WILLINGNESS TO GRANT CARACAS-LOS ANGELES AND NEW YORK-MONTREAL ROUTE RIGHTS. WE WERE UNWILLING TO YIELD ON BRAZIL-MIAMI/NEW YORK AND CARACAS-NEW YORK RIGHTS. VN DISCUSSING ADDITIONAL

ROUTES FOR ARGENTINES WE POINTED OUT THAT VALUE OF BRAZIL-US AIR TRAFFIC MARKET (TOTAL NUMBER OF PASSENGERS TRAVELING MULTIPLIED BY AVERAGE FARE) WAS 144 MILLION DOLLARS IN 1974. BRAZIL-ARGENTINE MARKET HOWEVER VALUED

AT 25 MILLION DOLLARS. THIS IS A RATIO OF APPROXIMATELY 6:1, I.E. IF BRAZIL INTERMEDIATE POINTS WERE ADDED FOR ARGENTINA, ARGENTINES WOULD ACQUIRE MARKET POTENTIALLY SIX TIMES MORE VALUABLE THAN MARKET AVAILABLE TO US CARRIER. GONZALES RESPONDED BY STATING THAT THE ARGENTINE DELEGATION WOULD DROP ITS REQUEST FOR CARACAS-NEW YORK BUT WOULD INSIST ON BRAZIL-MIAMI/NEW YORK.

5. CONCERNING ALL-CARGO FREQUENCIES IT WAS POINTED OUT THAT WE WISH TO INCLUDE IN THE FREQUENCY PROVISIONS ALL FLIGHTS, SCHEDULED OR NONSCHEDULED, WHICH CARRY INDIVIDUALLY WAY BILLED CARGO. TWO FREQUENCIES ARE ACCEPTABLE FOR THE PRESENT, PROVIDED THAT INDIVIDUALLY WAY BILLED FLIGHTS OF ALL ARGENTINE CARRIERS ARE INCLUDED. WE WOULD CONSIDER RAISING THE NUMBER OF FREQUENCIES IF THAT APPEARS TO BE DESIRABLE. THE ARGENTINES INDICATED THAT PAN AM COULD OPERATE ONE WIDE-BODY ALL-CARGO FLIGHT IN LIEU OF THE TWO ALL-CARGO FREQUENCIES WHICH ARE COUNTED ON BASIS OF NARROW-BODY FLIGHTS.

6. THE ARGENTINE RESPONSE TO THE US REQUESTS WERE AS FOLLOWS: (A) DECISION RE THE DURATION OF THE UNDERSTANDING WOULD BE DEFERRED PENDING THE RESOLUTION OF OTHER OUTSTANDING ISSUES; (B) PAN AMERICAN WOULD BE AUTHORIZED 10 WEEKLY COMBINATION FREQUENCIES AND BRANIFF 9. WIDE-BODY SUBSTITUTION WOULD BE ALLOWED AT A 2:1 RATIO ON THE FOLLOWING BASIS: 1 B-747 COULD BE INTRODUCED ON APRIL 1, 1976; 2 ON OCTOBER 1, 1976; 3 ON JANUARY 1, 1977; (C) LIMITED OFFICIAL USE

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THE ABOVE FREQUENCY LEVELS WOULD BE IN FORCE FOR NEXT TWO YEARS; (D) US AIRLINES MUST SPECIFY EXACT ROUTES WHICH THEY WOULD INTEND TO OPERATE. THEY WOULD THEREFORE BE UNABLE TO COMBINE INTERMEDIATE POINTS IN ANY ORDER AS PROPOSED. MAXIMUM PERMISSIBLE FREQUENCY LEVELS FOR EACH INTERMEDIATE POINT OPERATED WOULD ALSO BE ESTABLISHED. CHANGE OF GAUGE WOULD BE PERMITTED ONLY AT CERTAIN POINTS AND ONLY FOR A CERTAIN NUMBER OF TIMES. EXTRA SECTIONS WOULD BE ALLOWED AS REQUESTED; (E) CONCERNING ADVERTISING AND FOREIGN EXCHANGE REMITTANCES, GENERAL GONZALES STATED THAT "WE ARE HEADING TOWARD A SOLUTION" ON THESE PROBLEMS. HE INDICATED THAT HE WOULD WORK WITH APPROPRIATE GOA AUTHORITIES TO RESOLVE THESE ISSUES FAVORABLY; (F) ARGENTINES REJECTED US REQUEST ON GROUND HANDLING STATING THAT PRESENT ARRANGEMENTS ARE

CONSISTENT WITH ARGENTINE LAW AND REQUIREMENTS.

7. ARGENTINE DELEGATION SUGGESTED THAT TALKS RESUME EARLY  
APRIL IN BUENOS AIRES TO CONTINUE DISCUSSIONS IN ATTEMPT

TO REACH AGREEMENT ON REMAINING ISSUES. USDEL REPLIED  
THAT WE WILL COMMUNICATE IN NEAR FUTURE CONCERNING DATE  
ON BUENOS AIRES ROUND OF TALKS. BOTH DELEGATIONS  
EXPRESSED INTENTION TO CREATE "NO UNPLEASANT SURPRISES"  
WITH REGARD TO ACTIONS BEARING ON OPERATIONS OF THE  
OTHER PARTY'S AIRLINES PENDING COMPLETION OF FORTHCOMING  
CONSULTATIONS. USDEL MADE IT CLEAR THAT US AGREEMENT  
MEET AGAIN DEPENDED ON NO UNPLEASANT SURPRISES. KISSINGER

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